

Message Text

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ACTION EA-14

INFO OCT-01 IO-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 AGR-20 FEA-02 SCI-06 INT-08 H-03

PM-07 DODE-00 FPC-01 TAR-02 SAM-01 SWF-02 PA-04 PRS-01

USIA-15 NSF-04 DOTE-00 FMC-04 DRC-01 /226 W

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P 101107Z JUL 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5114

INFO USMISSION GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, RP, US

SUBJECT: PHILIPPINE ECONOMIC NEGOTIATIONS

1. FOURTH MEETING OF US/RP TECHNICAL PANELS TOOK

PLACE 10 JULY FROM 1400 TO 1730. US SIDE GAVE RP

SIDE FOLLOWING ITEMS WHICH HAD BEEN REQUESTED:

A) LIST OF US POSSESSIONS (TAKEN FROM WORLD ALMANAC)

B) ARTICLES CONCERNING SHIPPING TAKEN FROM SEVERAL

US FCN AND AER TREATIES

C) FOLLOWING LANGUAGE ON ACTIVITIES WHICH USG

WOULD LIKE EXCLUDED FROM RP DEFINITION OF RETAIL TRADE:

QUOTE BULK SALES, SALES TO INDUSTRIAL OR COMMERCIAL

USERS, INDENT SALES, SALES TO THE GOVERNMENT, OR ANY

AGENCY, SUBDIVISION OR INSTRUMENTALITY THEREOF OR TO

ANY GOVERNMENT-OWNED OR CONTROLLED CORPORATION, AND

SALES INCIDENTAL TO THE PROVISION OF SERVICE ACTIVITIES

INCLUDING BUT NOT LIMITED TO THE OPERATION OF HOTELS

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AND HOSPITALS." END QUOTE

2. RP CHAIRMAN VEGA OPENED DISCUSSION BY AGAIN QUESTIONING NEGOTIATING AUTHORITY OF US SIDE AND WAS AGAIN INFORMED ON THIS POINT.

3. TURNING TO US DRAFT TRADE AGREEMENT VEGA SAID RP SIDE FELT THAT IT WAS NOT SUFFICIENT TO MEET THEIR EXPECTATIONS AND SUGGESTED THAT US SIDE CONSIDER ARTICLE VII OF THE APRIL GOP DRAFT, CALLING FOR PREFERENTIAL TREATMENT OF PHILIPPINE EXPORTS. US CHAIRMAN ARNOLD AND SEVERAL OTHER MEMBERS US SIDE EXPLAINED INCONSISTENCY OF THAT APPROACH WITH OUR MUTUAL DESIRE TO FORMULATE A NEW ECONOMIC RELATIONSHIP BASED ON EQUALITY AND WITH US POLICY SUPPORTING DEVELOPMENT OF GENERALIZED PREFERENCES FOR LDCS.

4. VEGA THEN SUGGESTED FOLLOWING ALTERNATIVE LANGUAGE TO REPLACE ARTICLE 7.2 IN US DRAFT TREATY:
QUOTE NOTWITHSTANDING THE PROVISIONS OF PARA 1 OF THIS ARTICLE AND OTHER ARTICLES IN THIS TREATY, THE US SHALL ACCORD DUTY FREE ENTRY INTO ITS TERRITORIES PRODUCTS OF THE REPUBLIC OF THE PHILIPPINES AS LISTED IN ANNEX I AND AS DEFINED IN ARTICLE (TO BE INSERTED), WITHOUT PREJUDICE TO ACCORDING THE SAME TREATMENT TO ANY LIKE PRODUCTS OF ANY THIRD DEVELOPING COUNTRY, QUALIFIED TO BE A BENEFICIARY COUNTRY IN ACCORDANCE WITH THE REQUIREMENTS OF UNITED STATES LAW. END QUOTE.

5. ARNOLD REPLIED THAT THIS LANGUAGE PRESENTED A DIFFERENT SET OF PROBLEMS. IT PRESUMED EXECUTIVE BRANCH HAD THE POWER TO COMMIT THE LEGISLATIVE BRANCH ON A TRADE MATTER IN ADVANCE -- AUTHORITY WHICH WE SIMPLY DID NOT HAVE--AND ALSO RAISED FUNDAMENTAL QUESTIONS ON US APPROACH TO GSP. VEGA SAID THAT IT WOULD BE DIFFICULT FOR THE RP SIDE TO CONSIDER ANYTHING ELSE AND SAID THAT IF US SIDE COULD ACCEPT RP LANGUAGE HE WOULD PLAN TO RECOMMEND ACCEPTANCE OF MOST OF THE OTHER ELEMENTS IN THE US DRAFT TREATY, WITH SOME UNSPECIFIED MODIFICATIONS. HE ALSO NOTED LBJ PLEDGE AT PUNTA DEL ESTE TO IMPLEMENT PREFERENTIAL ARRANGEMENTS LIMITED OFFICIAL USE

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WITH SELECTED COUNTRIES IF OVERALL GSP SCHEME FAILED. IN VIEW OF DELAY IN IMPLEMENTING SUCH A SCHEME, HE SAID, RP MERELY ASKING FOR ADVANCE COMMITMENT FOR ITS PRODUCTS IN GSP.

6. FOLLOWING BRIEF RECESS US CHAIRMAN RESTATED NECESSITY OF DISCUSSING TRADE QUESTIONS PRINCIPALLY IN A BILATERAL, RECIPROCAL MFN FRAMEWORK. HE INDICATED

THAT CONCESSIONS ON RANGE OF PRODUCTS(LISTED ON
PAGE 1 OF MAY 24 TRADE STAFF COMMITTEE MEMO TO HUMMEL)
WOULD BE IN ACCORDANCE WITH PROVISIONS OF TRA. U.S.
CHAIRMAN ALSO LISTED PRODUCTS ON WHICH U.S. SOUGHT
TARIFF AND NTB CONCESSIONS. HE INDICATED NATURE AND
EXTENT OF CONCESSIONS U.S. SOUGHT WOULD BE
PRESENTED WHEN RP PROVIDED FULL PRODUCT LIST
AND SPECIFIED EXTENT AND NATURE OF CONCESSIONS IT SOUGHT,
PRESUMABLY AT NEXT MEETING OF PANEL. RP CHAIRMAN
STATED GOP WOULD ABANDON ITS PLAN OF PRESENTING GSP
LIST ONLY AND WOULD PRESENT MFN LIST BUT STATED FULL
STATEMENT OF RP NTB INTERESTS WOULD HAVE TO FOLLOW AT
LATER TIME.

7. GOP PANEL PROVIDED WRITTEN STATEMENTS ON "INDUSTRIAL
COOPERATION", "SCIENTIFIC AND TECHNICAL COOPERATION",
RE-EXPORTS AND DRAFT ARTICLE ON ACCESS TO ENERGY, FOOD AND
FERTILIZER SUPPLIES.

8. FOLLOWING IS STATEMENT ON INDUSTRIAL COOPERATION
QUOTE BOTH PARTIES SHALL COOPERATE WITH EACH OTHER IN THE
RELOCATION OF U.S. INDUSTRIES DESIRING TO ESTABLISH OPERA-
TIONS IN THE PHILIPPINES WITHIN THE FRAMEWORK OF PHILIPPINE
LAWS. THE FOLLOWING MEASURES SHALL BE ADOPTED AND IMPLEMENTED
TOWARDS THIS END:

A. FINANCIAL INCENTIVES

1. THERE SHALL BE ESTABLISHED AN INDUSTRIAL COOPERATION
FUND TO BE USED TO FINANCE THE RELOCATION IN THE REPUBLIC OF
THE PHILIPPINES OF UNITED STATES FIRMS DESIRING TO ESTABLISH
OPERATIONS THEREIN. THE FUND SHALL BE FINANCED FROM THE
COCONUT EXCISE TAX REFUND THE 10 PERCENT SURCHARGE REFUND
AND OTHER SOURCES AS MAY BE AGREED UPON BY THE TWO PARTIES.
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B. TAX INCENTIVE

1. AMERICAN INVESTORS IN THE PHILIPPINES ENJOYING TAX
INCENTIVES SHALL BE CREDITED WITH AN AMOUNT (TAX) EQUAL TO
THE FULL TAX APPLICABLE IF SUCH INCENTIVES WERE NOT GIVEN.

2. AMERICAN INVESTORS SHALL BE TAXED FOR U.S. PURPOSES
ON PROFITS REMITTED TO THE UNITED STATES, NET ON PROFITS
EARNED BUT NOT REMITTED.

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USIA-15 NSF-04 DOTE-00 FMC-04 DRC-01 /226 W

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3. AMERICAN INVESTORS IN THE PHILIPPINES SHALL BE EXCLUDED FROM THE U.S. PROPOSAL OF 25 PERCENT CUT OFF ON SUBSIDIARIES TOTAL RECEIPTS WHERE PRODUCTS ARE MANUFACTURED IN R.P. AND SOLD TO U.S. OFFICE. UNQUOTE
IN PRELIMINARY REMARKS ARNOLD STATED MANY ITEMS CONTAINED IN ABOVE STATEMENT CONCERNED TAXATION MATTERS AND BETTER ADDRESSED IN DOUBLE TAXATION NEGOTIATION SCHEDULED FOR SEPT. IN WASHINGTON. VEGA POINTED OUT STILL LEFT ISSUE OF FUND TO BE SET UP AND REFERRED TO PROPOSED U.S. LEGISLATION ON A U.S. EXPORT DEVELOPMENT CREDIT FUND. ACTION REQUESTED. INFO ON SUCH LEGISLATION OR RELATED MATTERS.

9. FOLLOWING IS STATEMENT ON SCIENTIFIC AND TECHNICAL COOPERATION:

QUOTE 1. RECOGNIZING THAT SCIENCE AND TECHNOLOGY ARE IMPORTANT FOR THE DEVELOPMENT OF A COUNTRY AND THAT TECHNOLOGICAL AND SCIENTIFIC COOPERATION WILL BE OF GREAT VALUE
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IN ADVANCING THE STATE OF THE SCIENCES AND IN RESOLVING

VARIOUS PROBLEMS CONFRONTING THE TWO PARTIES, THE UNITED STATES OF AMERICA AND THE REPUBLIC OF THE PHILIPPINES AGREE TO UNDERTAKE A PROGRAM OF TECHNICAL AND SCIENTIFIC COOPERATION.

2. THIS PROGRAM OF COOPERATION BETWEEN THE TWO PARTIES SHALL CONSIST OF THE FOLLOWING COMPONENTS:

A. ASSISTANCE TO THE REPUBLIC OF THE PHILIPPINES IN SECURING OPERATIVE TECHNOLOGY OF THE BEST POSSIBLE FORMS, IN ADAPTING FOREIGN TECHNOLOGY TO LOCAL INDUSTRIAL NEEDS AND IN DEVELOPING INDIGENOUS TECHNOLOGY.

B. COLLABORATION BETWEEN RESEARCH CENTERS OF THE TWO COUNTRIES.

C. PROGRAMS FOR SENDING TO THE REPUBLIC OF THE PHILIPPINES AMERICAN RESEARCHERS OF ESTABLISHED REPUTATION TO PARTICIPATE IN THE ADVANCED TRAINING OF LOCAL SCIENTIFIC AND TECHNOLOGICAL PERSONNEL.

D. ESTABLISHMENT OF APPROPRIATE CHANNELS FOR PUTTING INTO OPERATION, DEVELOPING AND SUPERVISING SPECIFIC PROGRAMS OF SCIENTIFIC AND TECHNICAL COOPERATION. UNQUOTE

ARNOLD INFORMED GOP PANEL THAT THIS MATTER HAD BEEN INFORMALLY BROACHED BY OTHER GOP OFFICIALS AND EMB HAD ASKED WASHINGTON FOR ITS VIEWS. ACTION REQUESTED: STATUS OF EMB REQUEST CONCERNING POSSIBILITY OF NEGOTIATING SCIENTIFIC AND TECHNICAL AGREEMENTS.

10. FOLLOWING IS DRAFT ARTICLE ON QUOTE COOPERATION IN COPING WITH ACUTE SHORTAGES OF ENERGY, FOOD AND FERTILIZERS"--WHENEVER EITHER PARTY ENCOUNTERS ACUTE SHORTAGES OF ENERGY, FOOD AND FERTILIZERS, EITHER PARTY SHALL EXTEND SYMPATHETIC CONSIDERATION TO THE REQUEST OF THE AFFECTED PARTY BY SUPPLYING ANY OF THESE RESOURCES AT SUBSTANTIAL AMOUNTS AND REASONABLE PRICES, WHENEVER SUPPLIES ARE AVAILABLE. UNQUOTE ARNOLD POINTED OUT THAT ACCESS TO ENERGY AND FOOD SUBJECT TO MULTILATERAL DISCUSSIONS. VEGA REPLIED THAT BILATERAL PREFERRED AND STATED GOP HAD SUCH AGREEMENT LIMITED OFFICIAL USE

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WITH INDONESIA. HE SUGGESTED THAT PERHAPS AMENDMENT TO US/RP TECHNICAL AND ECONOMIC AGREEMENT MAY BE ONE METHOD OF TREATING ABOVE MATTER.

11. IN REPLY TO GOP PANEL STATEMENT ON ITS INTEREST IN AVOIDING DUTY ON U.S. CONTENT OF PHILIPPINE EXPORTS TO U.S., ARNOLD NOTED WILLINGNESS OF U.S. PANEL TO DISCUSS THIS WITH RP PANEL.

12. NEXT MEETING SCHEDULED FOR 3 PM THURSDAY JULY 11.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, AGREEMENT DRAFT, ECONOMIC AGREEMENTS, ECONOMIC PROGRAMS, NEGOTIATIONS, FCN AGREEMENTS, TRADE AGREEMENTS, MEETINGS, AMENDMENTS, TECHNOLOGICAL EXCHANGES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA08242
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740183-0488
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740762/aaaacaqg.tel
Line Count: 280
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2002 by boyleja>; APPROVED <25 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE ECONOMIC NEGOTIATIONS
TAGS: EGEN, EFIN, ETRD, RP, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005